

# XI. Glossary of Terms



## SECTION XI

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## A

### Age Factor

A percentage determined by your age on the last day of the month in which your retirement becomes effective. It equals 2 percent at age 60 and is reduced by 1/2 of 1 percent for each month or fraction of a month in which the member is under 60 but at least 55. For members seeking early retirement who are age 50, but under age 55, the factor is further reduced by 1/4 of 1 percent for each month or partial month under age 55. For members over age 60, the factor is increased by 0.033 for every quarter year of age to a maximum of 2.4 percent at age 63 and over.

### Allowance

A monthly benefit payable to a retired member, disabled member or beneficiary.

### Annual Statement of Account

A statement mailed directly to active and inactive members each year that provides a summary of transactions during the prior year, service credit, contribution and interest balances, key provisions of the CalSTRS Defined Benefit Program and beneficiary designation information as of the previous June 30. If you have purchased additional service credit or redeposited contributions that were previously refunded, the changes will first appear on the statement of account for the fiscal year during which the final payment was made. Cash Balance Benefit Program participants are mailed a statement of their account's contributions and accrued interest.

## B

### Beneficiary

Any person or entity receiving or entitled to receive payments because of the death of a member. Only a person (not an estate, trust or corporation) may be designated to receive an option allowance upon the death of a member.

### Benefit Formula (Service Retirement)

For the unmodified allowance, multiply service credit by the age factor then by final compensation.

## C

### CalPERS

California Public Employees' Retirement System.

### CalSTRS

California State Teachers' Retirement System

### CalSTRS Home Loan Program

A program for active or retired DB members and CB Benefit Program participants to apply for conventional, fixed-rate, first mortgage loans to purchase or refinance primary residences.

### Career Bonus

For members who retire on or after January 1, 1999, with at least 30 years of earned service credit, a bonus of 0.2 percent (two-tenths of 1 percent) is added to the age factor up to a maximum age factor of 2.4 percent, which is reached at age 61 and six months.

### Cash Balance Benefit Program

Alternative CalSTRS retirement plan for educators hired to work part time. Cash Balance Benefit Program is an alternative to Social Security, private plans or the CalSTRS Defined Benefit Program.



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### Certified Copy

The document issued by the Bureau of Vital Statistics or County Recorder to record a birth, marriage or death.



### Class of Employees

A number of employees considered as a group because they are employed to perform similar duties, are employed in the same type of program or share other similarities related to the nature of the work being performed. For example, a “class of employees” could be guidance counselors in a high school district.

### COLA

Cost-of-living adjustments are automatic, annual increases to the monthly benefit, awarded annually, starting September 1 after the first anniversary of the effective date of the benefit. COLA's are calculated at 2 percent of your initial benefit.



### Concurrent Retirement

Retiring at the same time from CalSTRS and from certain other California public retirement systems (Legislator's Retirement System, Public Employees' Retirement System, San Francisco City and County Employees' Retirement System, University of California Retirement System or those systems established under the County Employees' Retirement Law of 1937). CalSTRS may use the salaries for service performed under the other retirement system to calculate the CalSTRS retirement allowance.

### County Employees' Retirement Law of 1937

The 1937 Act law includes retirement systems from the following counties: Alameda, Contra Costa, Fresno, Imperial, Kern, Los Angeles, Marin, Mendocino, Merced, Orange, Sacramento, San Bernardino, San Diego, San Joaquin, San Mateo, Santa Barbara, Sonoma, Stanislaus, Tulare and Ventura. Also known as '37 Act counties.

### Coverage A

Coverage A refers to the disability allowance and family allowance programs that existed prior to October 16, 1992. Coverage A is mandatory for all members of the DB Program who were receiving a disability allowance or a service retirement allowance with a benefit effective date prior to October 16, 1992. Members who were not receiving a

benefit on October 16, 1992, were permitted to retain this coverage or elect coverage B.

### Coverage B

Coverage B refers to the disability retirement and survivor benefits programs that became effective on October 16, 1992. Coverage B is mandatory for all new members and for members who were not receiving a benefit, had membership effective dates prior to October 16, 1992 and elected this coverage.

### Creditable Compensation

Salary and other remuneration payable in cash by an employer to a member for creditable service.

### Creditable Service

Specific employment activities such as teaching, vocational or guidance counseling, services related to school curriculum and a variety of administrative duties performed for a school district, community college district or county superintendent of schools.

### Credited Interest

At the end of each fiscal year, interest is credited to the accumulated contributions and interest in each active and inactive member's account at the credited interest rate adopted by the Teachers' Retirement Board. It is currently set at a rate that approximates the yield on two-year Treasury notes.

### Credited Service

Service credit for which required contributions have been paid.

## D

### Defined Benefit Program

Benefits are specified by the program and are not based upon the accumulated contributions in the member's account.

### Disability Allowance (Coverage A)

A program selected by and offered to individuals who became CalSTRS members before October 16, 1992, that allows disabled members to remain “active” and continue to accrue service credit toward retirement while receiving a CalSTRS disability allowance. The allowance is paid as long as the individual is disabled or until the age of 60 when the member becomes eligible for service retirement.

## Disability Retirement (Coverage B)

A program for individuals who joined CalSTRS after October 15, 1992, or elected this benefit program during the special election held between October 1992 to April 1993. Those receiving payments under this benefit program are “retired” and will be paid as long as they are disabled, without respect to age.

## Disability or Disabled

A medically determinable physical or mental impairment that is permanent or that can be expected to last continuously for at least 12 months. The disability must prevent a member from performing the member’s usual duties with reasonable modifications or the duties of a comparable level for which the member is qualified or can become qualified by education, training or experience. A member may apply for disability while still employed. Any impairment from a willful self-inflicted injury shall not constitute a disability.

## Disabled Member

A member to whom a disability allowance is payable.

## E

## Early Retirement Limited Term Reduction Program (Alternative C)

A member must be at least age 55, but under age 60, and have at least five years of credited service, for retirement under this alternative. The member receives one-half the monthly allowance amount calculated as if the member were age 60. The reduced allowance will continue for the same number of months after age 60 that benefits were received before age 60. After that, the normal Service Retirement allowance will be paid.

## Eligible Child

**Coverage A:** A member’s unmarried offspring, adopted child or stepchild up to age 22 who is dependent upon the member on the effective date of the disability allowance or the date of the member’s death.

**Coverage B:** A member’s child, adopted child or stepchild, up to 21 years of age, if dependent on the member on the effective date of disability retirement or the date of the member’s death.

## Employer Pick-Up

Under Internal Revenue Code Section 414(h)(2), a member’s contributions may be “picked-up” by the employer for the sole purpose of deferring income taxes on that portion of the member’s compensation.

## F

## Family Allowance (Coverage A)

An amount paid to the surviving spouse with eligible children after the member’s death. The maximum amount is 90 percent of the member’s final compensation (40 percent for spouse, ten percent for each eligible child, to a maximum of five children. Also provides Option 3 benefit to spouse at age 60).

## Final Compensation

The highest average annual compensation earnable by a member during any period of three consecutive years of CalSTRS-covered paid employment. (One-year final compensation is available for classroom teachers provided it has been included in a written collective bargaining agreement.)

## Full-Time

The number of days or hours of creditable service the employer requires a class of employees to perform in a school year under a collective bargaining or employment agreement.

## G

## Golden Handshake

An early retirement incentive program that gives CalSTRS members, whose employers elected, prior to January 1, 1999, to participate and who meet eligibility requirements, two additional years of service credit upon retirement if they file a CalSTRS retirement application with an effective date within the window period established by the employer.

## I

## Indexed Final Compensation Factors

Factors developed annually based on the change in the members’ statewide average earnable salary. These factors are used to calculate indexed final compensation.



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#### Indexed Final Compensation

The final compensation increased to reflect the average earnable salary increase of all active members of the Defined Benefit Program to reflect changes from the initial benefit date to the current date.



## L


#### Lump-Sum Death Payment

A one-time payment made to the designated beneficiary(ies) upon the death of the member.



## M

#### Member



Any person who has performed creditable service in the Defined Benefit Program for an employer and has earned compensation for that service and has not received a refund for that service, unless specifically excluded by law.

**Active Member:** A member who earns creditable compensation during the school year.

**Inactive Member:** A member who, by the pay period ending June 30, has not earned creditable compensation during the school year.

**Disabled Member:** A member to whom a disability allowance is payable.


**Retired Member:** A member who has terminated employment and has retired for service or has retired for disability and to whom a retirement allowance is payable.

**Vested Member:** A member who has accrued five years of credited service to be eligible for service retirement, disability retirement, or disability allowance.



## N

#### Nonconsecutive Final Compensation



The highest average annual compensation earnable during any period of three years of paid employment covered by CalSTRS. Available for those members who received a salary reduction due to a reduction in school funds. Upon certification from the employer, CalSTRS will use the highest three nonconsecutive school years to determine final compensation.



## O

#### Options

**Option 2:** Upon the member's death the modified allowance will continue to be paid to the option beneficiary for life.

**Option 3:** Upon the member's death, one-half the modified allowance will continue to be paid to the option beneficiary for life.

**Option 4:** Upon the death of either the member or the option beneficiary, two-thirds the modified allowance will continue to be paid to the survivor for life.

**Option 5:** Upon the death of either the member or the option beneficiary, one-half the modified allowance will continue to be paid to the survivor for life.

**Option 6:** Upon the member's death, the modified allowance will continue to be paid to the option beneficiary for life. If the option beneficiary predeceases the retired member, the retired member's allowance will be raised or "pop up" to the unmodified level.

**Option 7:** Upon the member's death, one-half the modified allowance will continue to be paid to the option beneficiary for life. If the option beneficiary predeceases the member, the member's allowance will be raised or "pop up" to the unmodified level.

**Option 8:** Upon the member's death, allowances will be paid to multiple option beneficiaries for life. The allowance paid to an individual beneficiary depends on which of Option 2 through 7 was selected for that beneficiary, and what percentage of the total allowance was subject to the option and beneficiary selected.

#### Option Beneficiary

The person designated by a member to receive a monthly allowance after the member's death.

#### Option Factor

An actuarially determined factor used to calculate the amount of monthly allowance when an option is selected to provide a lifetime monthly allowance to a designated option beneficiary after the member's death. (See Options)



## P

### Parent

A natural parent or parent who adopted the member prior to the member's attainment of 18 years of age or marriage, whichever occurs earlier.

### Participant

A person who has performed creditable service subject to coverage by the Cash Balance Benefit Program and who has contributions credited under the Cash Balance Benefit Program or is receiving an annuity under the Cash Balance Benefit Program by reason of creditable service.

### Post-Tax Contributions

Member contributions paid into the CalSTRS Defined Benefit Program after federal and state income taxes have been withheld.

### Projected Final Compensation

The final compensation used to determine the Disability Allowance or Family Allowance, under Coverage A, increased by 2 percent, compounded annually, to the earlier of age 60 or the date the Disability Allowance is terminated.

### Projected Service

Credited service plus the service that would have been earned to age 60 (or termination of the Disability Allowance, whichever comes first) had the member continued to work and receive service credit at the same rate as the highest of any one of the three school years immediately preceding death or the date the Disability Allowance began to accrue under Coverage A.

## R

### Reduced Workload Program

Allows eligible members to reduce their workload from full time to part time (a minimum of 50 percent of full time) for up to 10 years before retirement.

### Refund

A member who has terminated employment with the California public school system may withdraw all member contributions, tax-deferred contributions and interest credited on those contributions.

### Retirement Allowance

The amount a member will receive each month after retirement.

### Retirement Allowance Calculation

The formula used to calculate the amount CalSTRS members will receive each month after retiring for service. The formula is: service credit x age factor (2 percent at age 60) x final compensation.

### Return of Member Contributions

A one-time payment of all accumulated member contributions. Payment equals the member's total contributions and interest at time of retirement, disability or death, less the sum of all monthly allowance payments received. This is payable when there are no longer any beneficiaries or survivors who qualify for a continuing monthly allowance from the program.

## S

### Service Credit

Accumulated period of time in years or partial years, for which a person earned compensation subject to contributions to CalSTRS.

### Single-Month Earnings Limit

(Disability Allowance, Coverage A)

The member's disability benefit and employment earnings in a single month are added together and compared to the indexed final compensation for the month. Amounts in excess of the limit must be offset by CalSTRS.

### Six-Month Earnings Limit

(Disability Allowance, Coverage A)

The member's employment earnings and disability benefit over any continuous six-month period are compared to  $66\frac{2}{3}$  of the indexed final compensation. If they exceed this limit, the disability can be terminated unless the member on disability is enrolled in a CalSTRS-approved rehabilitation plan.

### Standard Early Retirement

(Alternative A)

At least 55 years old but under age 60 and a minimum of five years of service credit.



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#### **Subrogation**

A process that permits CalSTRS to participate in an action to recoup expenses and legal costs when a third party causes the injury or death of a CalSTRS member before retirement and the member or family pursues civil litigation.

#### **Supplemental Benefit Maintenance Account**

The account from which payments are made to members and beneficiaries whose current allowance is worth less than 75 percent of the original allowance when adjusted for increases in the California Consumer Price Index.

#### **Surviving Spouse**

A person who was married to the member for at least 12 months prior to the member's death. May be married less than 12 months if a child was born during the marriage or if the surviving spouse is carrying the member's unborn child.



#### **T**

#### **Teletalk**

General information about a variety of CalSTRS subjects is available by touch-tone telephone from the CalSTRS Teletalk information system. Teletalk calls are answered electronically. When a call is answered, the caller is asked to enter a three-digit message code to designate the recorded message desired. The caller can also request forms, duplicate 1099R's, Statements of Account, and brochures.



#### **30 and Out (Alternative B)**

At least 50 years old but under age 55 with a minimum of 30 years of credited service.

#### **U**

#### **Unmodified Allowance**

The monthly allowance payable to a retired or disabled member prior to any modification for election of an option.

#### **V**

#### **Vested Member**

A member of the CalSTRS Defined Benefit Program with five years of credited service.

#### **Voluntary Investment Program**

Tax-deferred supplemental savings program that compliments the CalSTRS DB and CB Benefit programs.



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